

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

**ENERGY**

IN THE MATTER OF THE PETITION OF THE VERIFIED )  
JOINT PETITION OF JERSEY CENTRAL POWER & )  
LIGHT COMPANY D/B/A GPU ENERGY AND CO-STEEL )  
SAYREVILLE INC. FOR APPROVAL OF A REVISED ) ORDER ADOPTING  
SERVICE CLASSIFICATION GTX AND APPROVAL OF ) STIPULATION  
REVISIONS TO THE RESTATED AND AMENDED GTX )  
INVESTMENT INCENTIVE SERVICE AGREEMENT )

DOCKET NO. ER01100698

(Service List Attached)

BY THE BOARD:

On October 31, 2001, Jersey Central Power and Light Company ("JCP&L"), doing business as GPU Energy, and Co-Steel Sayreville, Inc. (collectively, "Joint Petitioners"), filed a Verified Joint Petition with the Board to modify two aspects of the Service Classification GTX and accompanying 1993 Investment Incentive Service Agreement.<sup>1</sup> In their filing, Joint Petitioners requested authorization to modify: (1) the computation of On-Peak and Off-Peak Energy Charges under paragraphs (c), (e), and (h) of Service Classification GTX; and (2) the charges levied for Co-Steel Sayreville's use during Critical and Non-Critical Period as defined under paragraph (b) of Service Classification GTX.

On September 21, 1992, the Board issued an Order approving a GTX Investment Incentive Service Agreement between GPU Energy and New Jersey Steel Corporation ("NJS"), Co-

---

<sup>1</sup> On November 9, 2000, GPU Inc. (the parent company of GPU energy) and FirstEnergy Corp. ("FirstEnergy") filed a Joint Petition (the "Merger Petition") with the Board of Public Utilities ("Board") for approval of a merger between BPU Inc. and FirstEnergy, In the Matter of the Joint Petition of FirstEnergy Corp. and Jersey Central Power & Light Company, d/b/a GPU Energy, for Approval of a Change in Ownership and Acquisition of Control of a New Jersey Public Utility and Other Relief, Docket No. EM01100870. As a condition of the Stipulation of Settlement in the matter, it was agreed that GPU Energy and Co-Steel would file the Joint Petition. The Merger was approved by Board Order dated October 9, 2001.

Steel's predecessor-in-interest at the Sayreville plant (Dkt. No. ER92030370J).<sup>2</sup> This Agreement governed the pricing and terms of electric service at the Sayreville plant. This Agreement was amended by way of a Restated and Amended GTX Investment Incentive Service Agreement that GPU Energy and NJS entered into on October 4, 1993 (the "1993 Agreement"). The 1993 Agreement was given effect as of April 1, 1994, with the Board's confirmation that NJS had made the requisite investment in the refurbishment of the Sayreville plant. The 1993 Agreement expires on April 1, 2004. On January 8, 1998, NJS sold the Sayreville plant to Co-Steel, and Co-Steel Sayreville became the successor-in-interest to NJS's rights and responsibilities with regard to the 1993 Agreement and to GPU Energy's electric service at the Sayreville plant.

In the instant petition, the Joint Petitioners proposed to change the energy charges it bills Co-Steel Sayreville from the PJM projected average daily on-peak and monthly average off-peak charges to the actual, real-time JCP&L-zonal, Hourly Locational Marginal Pricing ("Hourly LMP") for all hours of the year. The Joint Petitioners proposed that Co-Steel Sayreville would continue to pay the tariff energy charge multipliers for losses, Corporation Business Tax ("CBT"), and Sales and Use Tax ("SUT"). The operating characteristics of Co-Steel Sayreville permit rapid curtailment of electric usage from a normal operating level of approximately 60 megawatts ("mW") to a functioning base load level of approximately 6 mW.

The Joint Petitioners also proposed to modify the charges for use during Critical and Super Critical Periods. Under paragraph (b) of Service Classification GTX, Co-Steel Sayreville pays \$3.03 per maximum 15-minute integrated kilowatt of demand created during any Critical Period occurring during the billing month, plus \$0.344163 per kWh. These charges are in addition to any other charges, and are double if GPU Energy declares a Super Critical Period.<sup>3</sup> JCP&L proposed to absorb certain Critical and Super Critical Period charges that might otherwise be levied against Co-Steel under Service Classification GTX. Co-Steel would not be required to pay any Critical and Super Critical Period charges incurred for energy consumed, up to its functioning base load level of 6 MWh per hour, subject to a maximum of \$585,000 for each Critical Period Contract Year.<sup>4</sup> Additionally, JCP&L would seek, in good faith and where feasible, to coordinate Critical Period with periods when Co-Steel Sayreville's operations are otherwise scheduled to be down. GPU Energy proposed to credit the deferred balance in the amount of \$585,000 in a manner that would render JCP&L's ratepayers indifferent to this provision.

#### Stipulation Among the Parties:

---

<sup>2</sup> On July 28, 1992, JCP&L filed a modified petition with the Board, In the Matter of the Petition of Jersey Central and Light Company for Approval of Revised Tariff for Service Classification GTX – Experimental Transmission Service, and Approval of GTX Investment Incentive Service Agreement with New Jersey Steel Corporation in Connection Therewith, Docket No. ER92030370J. On September 21, 1992, the Board issued its Decision and Order in this matter.

<sup>3</sup> GPU Energy may designate up to 208 hours of critical periods anytime during the twelve (12) month period following Co-Steel's annual anniversary date of service. GPU may specify critical periods to run consecutively or concurrently and two concurrent critical periods shall be referred to as a "super-critical period." See Article IX of the 1993 Agreement.

<sup>4</sup> In existing GTX tariff, when Co-Steel Sayreville curtails during Critical Period it generally consumes 6 MW or less, and it pays, on average, \$22,500 per Critical Period. If all Critical Periods are called by GPU Energy in a given 12-month period, the resulting penalties would, on average, total \$585,000 (\$22,500 times 26 Critical Periods).

Discovery and settlement discussions followed submission of the petition. On June 25, 2002, the parties to the proceeding - JCP&L, Co-Steel Sayreville, the Division of the Ratepayer Advocate ("DRA") and Board Staff ("Staff") – executed a stipulation resolving all concerns raised by the parties. The stipulation would modify the original petition by revising the period during which real-time, hourly energy charges would be effective for Co-Steel Sayreville. Pursuant to the terms of the stipulation, pricing based upon Hourly LMPs would commence on July 1, 2002 and terminate on August 31, 2003. Effective September 1, 2003, Co-Steel Sayreville would resume service under the previously effective energy pricing provisions of the GTX rate schedule through the termination of the 1993 Agreement on April 1, 2004. The Joint Petitioners had originally sought a termination date of April 1, 2004 for this hourly pricing provision. The balance of provisions sought by the Joint Petitioners would be implemented as originally filed.

During the period that real-time, hourly pricing is in effect, the Joint Petitioners would submit quarterly reports to the Staff and the DRA documenting the impacts of the change in pricing. The reports would include the following information: the Hourly LMPs upon which the real-time energy charges are based; actual hourly loads at the Co-Steel Sayreville facility; billing data aimed at comparing monthly bills under real-time pricing and bills that otherwise would have been rendered under existing pricing; data to assess the curtailment response of Co-Steel Sayreville to high LMPs in the PJM system; and the ongoing levels of employment at the facility. The Joint Petitioners have agreed to submit additional data as requested by either the Staff or the DRA and may submit their own additional information documenting the effects of the change to real-time, hourly pricing.

#### Discussion and Findings:

Co-Steel Sayreville is a steel mini-mill that consumes large amounts of electricity to recycle scrap steel into wire rod and reinforcing bar for use in construction, automotive and consumer goods. The facility employs some 289 employees and contributes significantly to the local and State economies. Joint Petitioners filed their petition in response to the competitive pressures on the domestic steel industry, arguing that the requested changes to the GTX rate and the 1993 Agreement would enable Co-Steel Sayreville to adjust its hourly production in a manner that would enhance the competitive viability of the plant while lowering rates in the JCP&L territory and within the wider PJM system. Specifically, the highly curtailable nature of production at the mini-mill would enable Co-Steel Sayreville to respond to real-time, hourly price signals such as to maximize production efficiency, reduce system-wide energy costs and enhance transmission and distribution system reliability.

The proposal to move from time of day pricing to real-time, hourly pricing would indisputably provide Co-Steel Sayreville with the most accurate price signal available through rate design. We accept the submission that such pricing would enhance the competitive position of the mini-mill and assist in the continued viability of the plant as a contributor to the local and State economies. It is the effects upon the JCP&L system and its ratepayers, however, that principally compels our consideration of the stipulation before us.

Joint Petitioners maintain that Co-Steel's consumption response to real-time hourly prices will serve to reduce JCP&L's zonal LMPs, resulting in lower contemporaneous prices in the PJM day-ahead and real-time energy markets. This near-term effect should serve to reduce the bid prices submitted in the subsequent BGS supply auction, thus lowering the future cost of basic generation service to all customers. Currently, Hourly LMP spikes are subsumed within GTX's broader on-peak and off-peak average energy charges, preventing Co-Steel from the type of

consumption response that would generate these system benefits. For example, PJM experienced LMP spikes during the initial off-peak hours of August 5, 7 and 9 of 2001 that were masked by the ostensibly lower costs implied in average off-peak period pricing. Under hourly pricing, such LMP spikes are transparent and Co-Steel Sayreville's curtailment response would serve to mitigate otherwise higher LMPs caused by unwitting consumption during such hours. Implementation of real-time, hourly pricing would provide the price transparency necessary to encourage the type of curtailment response represented by the Joint Petitioners.

The DRA and Staff have secured various monitoring provisions designed to provide close scrutiny of Co-Steel Sayreville's usage patterns, and the effects of those usage patterns, during the proposed period of real-time, hourly pricing. We are satisfied that the specified data submissions will allow an assessment of those impacts and provide the Staff and the DRA with valuable insight into the actual behavior of a large curtailable customer taking service under real-time, hourly pricing. This latter benefit will better enable this Board to assess any future extension of such pricing that may be applicable to Co-Steel Sayreville or any similar industrial customer or class of customers.

Having reviewed the stipulation and the record in this matter, we are of the opinion that the proposed modifications of the GTX rate and accompanying 1993 Agreement provide opportunities for reduced system costs for all JCP&L ratepayers and for a greater understanding of the responses of large industrial customers to real-time, hourly pricing. Accordingly, the Board HEREBY APPROVES the stipulation among the parties dated June 25, 2002 and adopts its provisions as if set forth in total herein. We ORDER JCP&L to file a revised GTX rate schedule for implementation effective July 1, 2002 through August 31, 2003. The effects of the subject pricing change will additionally be subject to audit by the Board.

DATED: June 26, 2002

BOARD OF PUBLIC UTILITIES  
BY:

(Signed)

JEANNE M. FOX  
PRESIDENT

(Signed)

FREDERICK F. BUTLER  
COMMISSIONER

(Signed)

CAROL J. MURPHY  
COMMISSIONER

(Signed)

ATTEST:  
(Signed)

CONNIE O. HUGHES  
COMMISSIONER

KRISTI IZZO

SECRETARY